

1-1-1984

Washington report, vol. 13 no.44, December 24, 1984

American Institute of Certified Public Accountants.

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_news



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

American Institute of Certified Public Accountants., "Washington report, vol. 13 no.44, December 24, 1984" (1984). *Newsletters*. 977.
https://egrove.olemiss.edu/aicpa_news/977

This Article is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in Newsletters by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

AICPA *Washington Report*

December 24, 1984, Volume XIII, Issue 44

FDIC	Prohibitions on non-bank activities	p. 1
GAO	Questions raised by Continental Bank rescue plan	p. 1
	CPA named to Railroad Accounting Principles Board	p. 1
PBGC	Interest rate on late premium payments	p. 2
SBA	Business loans--secondary market	p. 2
Treasury	Proposals on use of luxury automobiles	p. 2
	Income Statistics Report for 1982 available	p. 3
	Form 8300, Report of Cash Payments over \$10,000	p. 3

Federal Deposit Insurance Corporation

Prohibitions on underwriting of insurance and involvement in real estate activities by any insured bank are contained in a proposal recently released by the FDIC (see the 12/13/84 Fed. Reg., pp. 48552-64). In an effort to fulfill its obligation to monitor market place developments in order to assess the potential impact of changes on bank safety and soundness the FDIC is seeking to amend its regulations governing the direct or indirect involvement of insured banks in real estate and insurance brokerage and underwriting. The proposal requires any subsidiary of an insured bank that conducts these activities to meet the criteria for a bona fide subsidiary set out in the restrictions and notice to the FDIC of intent to invest in a subsidiary. Additionally, restrictions are placed on the affiliation of an insured bank with a company that engages in any of the subject activities and on extensions of credit or other transactions between insured banks and their subsidiaries or affiliates that engage in any of the subject activities. Comments are requested by 2/11/85. For additional information contact Pamela LeCren at 202/389-4171.

General Accounting Office

Numerous questions were raised by the Continental Bank situation but "we do not have good answers to these questions" according to a 12/14/84 statement for the record by the Comptroller General of the U.S. Charles A. Bowsher which was submitted to a Subcommittee of the House Banking Committee. While generally praising the performance of the FDIC in the near collapse of the Continental Illinois Bank and Trust Company, Mr. Bowsher listed some questions which he believed were raised by the Continental situation: "Is banking becoming riskier? Are large banks riskier than small banks? What effect has interest rate deregulation had on the risks faced by the banking system? What are the potential risks of expanding product offering powers beyond those currently allowed banks?" Earlier in his statement, Mr. Bowsher said: "The Continental Illinois situation underscores the widely held belief that there are two classes of banking institutions in this country: those that we cannot afford to let fail and those whose failure has little effect on system-wide stability. Yet, the system's regulatory rules of the game have been largely the same for both types of institutions. Should this continue to be the case or should we begin thinking about instituting a regulatory quid pro quo for the different protections afforded the two classes of banking institutions? Have we reached the point where for our very large banks, we need to redefine the types of business actions that, from a regulatory perspective, are strictly private? For these very large banks, is special regulatory intervention necessary because of their potential to seriously affect the public interest?" Turning to the area which he listed as avenues of reform, Mr. Bowsher stated a need to explore approaches through four avenues of change to the banking regulatory system: changes to our system of deposit insurance in light of its seeming expanded coverage; changes in our system of bank examination and supervision to better assure that existing procedures are adhered to, and revisions to existing regulatory procedures and rules regarding when supervisory actions may be taken as well as the nature of the actions; changes to disclosure requirements that would better enable depositors and general creditors to evaluate the condition of banks and their management; changes to standards of capital adequacy.

Ronald S. Young, CPA, has been appointed as one of the six members of the Railroad Accounting Principles Board, according to an announcement by the Board's Chairman, U.S. Comptroller General Charles A. Bowsher. This Board will establish cost accounting principles for use by rail carriers regulated by the Interstate Commerce Commission. Newly created by legislation in the 98th Congress, the Board has not yet established the frequency of meetings according to GAO. Mr.

Young is currently the Director, Bureau of Accounts, Interstate Commerce Commission, Washington, D.C. Prior to joining the ICC, he was a senior auditor at Ernst and Whinney, Cleveland and J.K. Lasser and Co., Washington, D.C. He has been an AICPA member since 1971.

Pension Benefit Guaranty Corporation

A change in the rate at which interest will accrue on late premium payments and employer liability underpayment and overpayments has recently been announced by the PBGC (see the 12/18/84 Fed. Reg., pp. 49091-92). The interest rate, established by the IRS in accordance with the provisions of the TEFRA is reviewed and adjusted semiannually on 10/15 and 4/15 of each year. The adjusted rate is based on the average prime interest rate for the six-month period ending on 9/30 and 3/31, respectively. The new interest rate for the six-month period beginning 1/1/85 will be increased to 13%. For additional information contact Renae Hubbard at 202/254-6476.

Small Business Administration

Business Loans, Secondary Market Substantative Rules is the subject of a notice of proposed rulemaking by the U.S. Small Business Administration (see the 12/18/84 Fed. Reg., pp. 49106-11). In part, these proposed regulations provide that SBA shall guarantee to registered holders upon such terms and conditions as it deems appropriate, the timely payment of principal and interest on certificates which are based on and are backed by a pool of SBA guaranteed portions of loans. With respect to the sale of individual guaranteed portions, SBA guarantees the holder against a failure by the borrower to repay the loan or a failure by either the lender or the SBA's Fiscal and Transfer Agent (FTA) to forward to the holder the borrower's payment on the guaranteed portion of the loan. According to SBA, it does not guarantee timely payment on individual guaranteed portions when the borrower has not made the payments to the lender. Comments must be received on or before 2/1/85. For further information contact James W. Hammersley at 202/653-5954.

Treasury, Department of

A public hearing on proposed regulations relating to the limitation on the amount of depreciation and investment tax credit for luxury automobiles has been scheduled for 2/5/85 by the IRS. The proposed rules, issued as temporary regulations in 10/84 also relate to the limitations placed on cost recovery deductions and the investment tax credit allowed for taxpayers who use certain types of property, "listed property" for other than "qualified business" purposes. A person who leases "listed property" is similarly affected by these temporary regulations. Substantiation requirements for "listed property" are also contained in the regulations, and all purchasers or lessees of "listed property", including passenger automobiles are affected. The temporary regulations relating to the limitations on the investment tax credit and recovery deductions, with certain exceptions, are effective in general for "listed property" placed in service or leased after 6/18/84. The regulations relating to substantiation requirements are effective for taxable years beginning after 12/31/84. The hearing is scheduled to begin at 10:00 a.m. in the IRS Auditorium in Washington, D.C. Outlines of oral comments are requested by 1/22/85. For additional information contact Cynthia Grigsby at 202/566-3935.

Itemized deductions were approximately \$285 billion and were claimed on 33.4 million returns, according to information contained in a recently available IRS annual report, Statistics of Income -- 1982, Individual Income Tax Returns. Based on a sample of the 95.3 million returns filed for Tax Year 1982, the report shows that approximately 15 million taxpayers filed the new Form 1040EZ tax return for single filers with no dependents and 21.7 million taxpayers claimed the new deduction for a working married couple. In addition, liberalized Individual Retirement Arrangement (IRA) provisions caused the number of returns and the amount of the IRA deduction to increase for 1982. As a result, taxpayers claimed more than \$28 billion for this item on more than 12 million returns. The report features information on income, deductions, credits, exemptions and tax. Included is a section on taxable and nontaxable returns with adjusted gross incomes of \$200,000 or more. The 186-page report, IRS Publication 79, can be purchased for \$5.50 from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Form 8300, Report of Cash Payments Over \$10,000 Received in Trade or Business, is available according to a 12/20/84 announcement by the IRS. The Tax Reform Act of 1984 provides that any person who in trade or business receives more than \$10,000 in cash, including foreign currency, after 1984 in one transaction or related transactions must file a return of this information to the IRS. Banks and other financial institutions required under the Bank Secrecy Act to report cash transactions of more than \$10,000 to the Treasury are not required to file Form 8300. Also, reporting is not required for transactions entirely outside the United States. A person who fails to file required Forms 8300 with the IRS or to furnish the payer with the required statement is subject to a \$50 penalty per failure, up to a \$50,000 maximum penalty per calendar year. No penalty will be imposed if the failure is shown to be due to reasonable cause and not to willful neglect. If the failure to file Form 8300 is intentional, the civil penalty increases to \$100 per failure, without the \$50,000 annual limitation. Any taxpayer who willfully fails to file Form 8300 may be subject to a criminal fine of not more than \$25,000 -- \$100,000 in the case of a corporation -- and imprisonment for up to one year. Forms can be obtained from the appropriate IRS Forms Distribution Center.

For additional information, please contact Stephanie McCarthy, Gina Rosasco or Nick Nichols at 202/872-8190.

AICPA *Washington Report*

American Institute of Certified Public Accountants

1620 Eye Street, N.W., Washington, D.C. 20006

FIRST CLASS MAIL